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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [SNAR](#) [KOLY](#) [MCAP](#) [PTER](#) [ECON](#) [CH](#)
SUBJECT: NPC CHAIR WU BANGGUO DISCUSSES PRODUCT SAFETY,
TRADE AND MILITARY POLICY WITH CODEL LARSEN-KIRK

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Classified By: Deputy Chief of Mission Dan Piccuta. Reasons 1.4 (B) and (D).

Summary

11. (C) Representatives Rick Larsen (D-WA) and Mark Kirk (R-IL), accompanied by the Ambassador, emphasized the importance of food and product safety issues to American consumers during a meeting with National People's Congress (NPC) Chairman Wu Bangguo on August 28. Wu Bangguo said we need to settle safety problems case by case and not make sweeping generalizations about Chinese products, to which Rep. Kirk replied that what is needed is an explanation of changes and reforms that China will implement to address the problem. Chairman Wu expressed concern about "protectionist" trade measures currently before Congress, arguing that there is no relationship between China's RMB exchange rate and the bilateral trade imbalance. Wu acknowledged the importance of military-to-military exchanges. Representative Kirk underscored the importance of security cooperation for the Beijing Olympics, with Wu replying that China has already put in place a security plan but will still require international support. End Summary.

FOOD, PRODUCT SAFETY

12. (C) Representatives Rick Larsen (D-WA) and Mark Kirk (R-IL), Co-Chairs of the U.S.-China Working Group, emphasized the importance of food and product safety issues to American consumers during a meeting with National People's Congress (NPC) Chairman Wu Bangguo on August 28. Although the PRC position is that Chinese products are higher in quality than those of many other nations, Congressman Kirk stated that statistics are not the most important element in this debate, given that toys and pets are involved. What is needed is not a recitation of figures or current practices but rather an explanation of changes and reforms that will be implemented to address the problem. While the NPC may introduce food/product safety legislation by the end of year, Congressman Kirk said Congress will likely pass legislation on this subject by the end of next month.

13. (C) We need to look at the facts of the product safety issue, keeping things in proper perspective and settling safety problems case by case, Wu Bangguo replied. Most Chinese products are up to standard, having only a one-percent defect rate, lower than that for U.S. exports to China. According to the Speaker of the Japanese Diet, 99.8 percent of Chinese products entering Japan are up to standard, higher than the percentage for U.S. or European goods. Just because one company misbehaves, or one product is found to be defective, we should not make generalizations

about China's system or determine that all Chinese products are bad. Chairman Wu said he had spent a great deal of time working on product safety issues, having handled this portfolio while serving as Vice Premier for eight years. He cited two main challenges: one, some Chinese products are defective, and when they are discovered, China needs to be responsible to its American and global customers by responding proactively. Two, our two countries need to harmonize our different standards of testing. Professor David M. Lampton suggested to Chairman Wu that to manage this issue publicly, rather than quoting statistics, it would be more effective to say that most products are safe, but that even a defect rate of one percent is unacceptable, so both sides are working hard to solve the problem.

TRADE IMBALANCE, CURRENCY

14. (C) Chairman Wu expressed concern about "protectionist" measures currently before Congress. He argued there is no relationship between the China's RMB exchange rate and the bilateral trade imbalance. Nevertheless, since adopting currency reform, the RMB has appreciated nine percent. A sudden change in China's exchange rate would damage its economy, so Beijing is moving proactively but gradually. Any downturn in the Chinese economy would have global consequences given that China now ranks as the world's third largest trader and fourth largest economy. Turning to the trade surplus, Wu said an important cause has been the decision by Japan, South Korea and Taiwan to shift assembly to the Chinese mainland. Against this backdrop of globalization, one cannot look simply at the bilateral trade balance but also must examine the distribution of economic returns among enterprises and consumers. Given our common economic interests, we should approach trade problems in a "fair and objective" manner.

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CHINA'S SECURITY POLICY

15. (C) Chairman Wu acknowledged the importance of bilateral military-to-military exchanges, noting that a delegation from the House Armed Services Committee is in Beijing and had just met with the Second Artillery and the president of China's National Defense University, having also visited a Chinese naval base at Qingdao. Such dialogues enhance transparency, which increases mutual understanding and clarifies strategic intentions. Referring to speculation in the U.S. media about Beijing's strategic intentions, Wu said that even though China has nuclear weapons, it was the first to declare a "no first use" policy. As early as the 1970s, China vowed never to seek hegemony. Were the PRC to try to do so, the whole world could unite to "bring down China," Wu said.

16. (C) China follows a peaceful development path designed to raise the living standards of its people, which requires a stable and peaceful international environment, Wu said. China's development can only be a force for peace and stability. The PRC long ago abandoned "international communism" as advocated by the former USSR and does not seek to impose its values or social systems on others. China has no troops stationed overseas other than those serving under the UN flag. Although it is true that China's defense capability has increased, China suffered a great deal of "bullying" in its modern history, which taught it that it must correct its own backwardness. On Taiwan, China pursues a peaceful solution but believes that without military deterrence, a peaceful solution is not possible. Wu, who said he was once in charge of China's military industrial sector, commented that the PRC has a long way to go to catch the United States. Even if China has the technology, it cannot afford to provide its armed forces with high-tech equipment.

¶7. (C) Representative Kirk underscored the importance of bilateral security cooperation for the 2008 Beijing Summer Olympics, where the U.S. team will be a potential terrorist target. Chairman Wu said he was "optimistic" about security preparations for the Games, having just discussed preparations with International Olympic Committee President Jacques Rogge earlier this month. Beijing has already put in place a security plan but will require international support to absolute ensure the Games' security.

COUNTERNARCOTICS, COUNTERTERRORISM COOPERATION

¶8. (C) In advance of the CODEL traveling to Xinjiang to discuss counternarcotics and counterterrorism, Representatives Larsen and Kirk raised the need for increased cooperation on these subjects. Chairman Wu said our interests on both issues are "convergent," and we already enjoy good cooperation. China is also a "victim" of terrorism and narcotics trafficking, which can only be solved through international cooperation. The United States has "rich experience" in the area of counternarcotics, so it is important for our two sides to cooperate. Turning to counterterrorism, Chairman Wu said he was happy to hear the CODEL would travel to Xinjiang, where the terrorist organization ETLO/SHAT (East Turkestan Liberation Organization) is an important issue. Our bilateral counterterrorism cooperation will continue. Nevertheless, Wu said, China does not support "double standards" when it comes to terrorism. (Note: Wu was almost certainly referring to the U.S. refusal to recognize ETLO/SHAT as a terrorist organization.)

WU BANGGUO'S WASHINGTON VISIT

¶9. (C) Chairman Wu said he was looking forward to his visit to Washington at the end of October, underscoring that he will travel only to the United States on this trip, with his sole goal being to continue the positive momentum in U.S.-China relations. Representatives Larsen and Kirk said they looked forward to seeing Chairman Wu, as does Speaker of the House Pelosi, who wishes to have a "Speaker-to-Speaker" dialogue in Washington.

U.S.-CHINA WORKING GROUP'S ROLE, BILATERAL RELATIONS

¶10. (C) Chairman Wu complimented Representatives Larsen and Kirk on the important role played by the U.S.-China Working Group (USCWG). Representative Larsen related how, when the

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USCWG was created two years ago, there were only 15 members. Today, there are more than 50, reflecting intense interest in China among Members of Congress. Chairman Wu noted that this is the 35th anniversary of President Nixon's visit to China and the signing of the Shanghai Communique. It would have been "unimaginable" 35 years ago that our bilateral relationship would develop to its current level. Last year, bilateral trade between the United States and China was USD 260 billion. In contrast, China has had diplomatic relations for more than 80 years with Russia and the former Soviet Union, yet bilateral trade with Russia last year amounted to only USD 30 billion. China knows that, as the United States enters its election year, China issues will be hotly debated. Nevertheless, no matter which party captures the White House, China believes the new President will be committed to expanding U.S.-China relations, which are based on an ever-growing number of common interests. The growth in our relationship reflects the will of our two peoples. It is only natural that we have differences, but through consultation, we can work through those issues.

¶11. (U) The delegation did not have an opportunity to clear this message.
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